



Financial Instruments Risk Disclosure

May 2020

The information provided herein is intended to serve as basic information for your investments in money and capital market instruments, allowing you to determine and keep investment risk within limits.

Financial instruments are designed and sold to meet the needs of an identified target market of end clients within the relevant category of clients. This is duly taken into account in the relevant investment service.

Risk is the failure to achieve an anticipated yield on the capital invested and/or suffering the loss of the capital invested, up to its total loss. Depending on the nature of the product, on the markets and the issuers, a number of different reasons can give rise to such risk. This risk cannot always be determined ahead of time, which is why the explanations provided below should not be regarded as conclusive.

The risk arising from the credit standing of the issuer varies from case to case, and the investor should thus pay particular attention to such risk.

The description of the investment products is based on standard product features. The configuration of the individual product at hand is decisive. The present description can thus not replace the investor's close scrutiny of the specific product.

As a rule, the following needs to be considered when investing in securities:

- In every investment, the potential return depends directly on the risk involved. The higher the potential return, the higher the risk will be.
- Furthermore, irrational factors (investor sentiment, opinions, expectations, rumors) may likewise influence the share price and thus the return on your investment.
- Spreading an investment over several different securities reduces the risk of the investment as a whole (principle of risk diversification).
- Each client is responsible for ensuring the proper payment of tax on their investments.

1. GENERAL INVESTMENT RISK

CURRENCY RISK

With foreign currency transactions, the return on and the performance of the investment depend not only on the local yield on investment in the foreign market, but also greatly on the performance of the foreign currency with respect to the investor's reference currency (e.g. the euro). A change in the exchange rate can therefore either increase or decrease the return and value of the investment.

TRANSFER RISK

Transactions involving foreign countries (e.g. foreign borrowers) entail the additional risk - depending on the specific country - that political action or exchange control may make the realization of the investment difficult or impossible. Also, problems may occur when processing an order. In foreign-currency transactions, the currency may end up no longer being freely convertible as a result of such action.

COUNTRY RISK

Country risk is the credit risk of a country. When the country in question has a political or economic risk, all the partners residing in that country may be adversely affected.

LIQUIDITY RISK

The option of selling or settling an investment at a fair market price at all times is called negotiability (= liquidity). A market is considered liquid when investors are able to sell their securities without an average-sized selling order (relative to the market's normal trading volume) leading to noticeable price fluctuations that make it impossible to execute the order or only allow execution at a substantially different price level.

CREDIT RISK

Credit risk refers to the possibility of the counterparty's default, i.e. the possibility that a partner may be temporarily or permanently unable to meet liabilities such as dividend payments, interest payments, repayment of principal, etc. Alternative terms for credit risk are borrower risk or issuer risk. This risk can be assessed using what are called "ratings". Ratings are used to assess an issuer's credit standing. Rating agencies assign the ratings, paying particular attention to credit and country risk. The rating scale ranges from "AAA" (best credit standing) to "D" (worst credit standing).

INTEREST RATE RISK

Interest rate risk results from the possibility of future interest rate movements in the market. During the term of fixed-interest bonds, a rise in interest rates will cause prices to drop, whereas a decline in market interest rates will cause prices to increase.

PRICE RISK

Price risk is the risk of potential changes in the value of individual investments. In the case of transactions involving future transfer of ownership (e.g. foreign exchange forwards, futures, writing of options), price risk may make it necessary to post collateral (a margin) or to raise the existing margin, i.e. to tie up liquid assets.

RISK OF TOTAL LOSS

The risk of total loss is the risk that an investment becomes worthless, for instance because it is devised as a right that is subject to a time limit. A total loss is especially likely to occur when the issuer is no longer in a position, for financial or legal reasons, to meet their payment obligations (insolvency). The risk of total loss also arises when issuers of securities find themselves in financial straits and the authorities in charge resort to resolution instruments, cancelling the shares of shareholders, for example, or using the bail-in option for unsecured bonds, which may lead to a complete write-off of the bonds' face value.

RISK AT STOCK EXCHANGES, PARTICULARLY SECONDARY MARKETS

Errors and delays may occur. In some secondary stock markets, limited buy and sell orders are generally not available. Therefore, limited orders can only be placed after consulting with the broker on site by telephone, which may lead to delays. Sometimes, such limits may simply be ignored.

In various stock exchanges it is difficult to obtain information on current prices, making any up-to-date assessment of current client positions difficult. If a security is no longer listed in a stock exchange, the sale of these securities may no longer be possible via the relevant stock exchange. A transfer to another stock exchange may likewise be problematic. The opening times of some stock exchanges in secondary markets are well out of line with Western European standards. Short trading hours of three or four hours per day, for example, can lead to bottlenecks and the non-execution of orders.

2. BONDS

DEFINITION

Bonds (= debentures, annuities) are securities by which the issuer (= borrower, issuing firm) accepts an obligation towards the holder (= creditor, buyer) to pay interest on the capital received and to redeem the bond according to the agreed terms. Alongside bonds in the narrow sense, there are debt securities that differ substantially from the above- mentioned characteristics and the description provided below. Please refer to the description of debt securities in the section "Structured products". Especially in the present context, product-specific risk is determined not by the designation as bonds or debentures but by the specific configuration of the individual products.

RETURN

The return on a bond consists of interest paid to the bond holder plus any difference between the purchase price and the realizable selling price/redemption price.

It is therefore possible to anticipate the return only if the bond is held until redemption. In the case of variable interest rates, the return on a bond cannot be calculated in advance. Yield (at maturity), which is calculated according to established international standards, is used as an indicator/reference for the return. Where a bond offers a yield that is substantially higher than that of bonds with comparable maturities, specific reasons are likely responsible, such as an elevated credit risk. When a bond is sold prior to redemption, the realizable selling price cannot be anticipated; the return may therefore turn out to be higher or lower than the yield originally estimated. Any transaction costs charged need to be deducted from the overall return as well.

CREDIT RISK

There is a risk that borrower's defaults on all or part of their obligations, e.g. in the event of insolvency. The debtor's credit standing must therefore be taken into account when deciding on an investment.

An indication for assessing the borrower's credit standing is the "rating" (= evaluation of the borrower's credit standing) by an independent rating agency. An AAA rating represents the best credit standing; the lower the rating (e.g. B or C), the higher the credit risk - but the rate of return on the security (risk premium) will presumably also be higher due to the costs resulting from the borrower's higher default risk (credit risk). Investments with a comparable BBB rating or higher are called "investment grade" investments.

PRICE RISK

If a bond is held to maturity, the investor is paid the redemption price as stated in the bond terms. In this regard, please consider - if provided in the terms of issue - the risk of early termination on the part of the issuer. If a bond is sold prior to maturity, the investor is paid the market rate (price). This rate is determined by supply and demand, which in turn also depend on the current level of interest. The price of fixed-rate securities, for example, will fall if the interest on bonds with comparable maturities rises. Conversely, bonds will gain in value if the interest on bonds with comparable maturities falls. A change in the borrower's credit standing may also affect the price of bonds. When the interest rate curve is levelling out or flat, the price risk of bonds whose interest rates are aligned to capital market interest rates of floating-rate notes are markedly higher than those of bonds whose interest rates depend on money market interests.

"Duration" indicates the price change of a bond in response to a change in the interest rate. The duration depends on the bond's time-to-maturity. The greater the duration, the stronger a change in general interest rates will impact the price, either in a positive or in a negative way.

LIQUIDITY RISK

The negotiability of bonds may depend on a variety of factors, including the volume issued, time-to-maturity, stock exchange practices and the market situation. It may be difficult or impossible to sell a bond under certain circumstances, in which case it must be held to maturity.

BOND TRADING

Bonds are generally traded in the stock exchange or over the counter. For bonds traded in the stock market, the prices quoted in the stock exchange may vary substantially from over-the-counter prices. Adding a limit will cap the risk of weak trading.

3. SHARES

DEFINITION

Shares (stocks) are securities that evidence equity interest in a company (stock corporation). The shareholder's main rights are to receive a share in the company's profits and to vote in the general meetings of shareholders (with the exception of preferential shares).

RETURN

The return on investments in shares consists of the dividend payments and price gains/losses and cannot be anticipated with certainty. The dividend is the profit distributed on the basis of a resolution of the general meeting. The amount of the dividend is quoted either as an absolute amount per share or as a percentage of the notional. The profit from the dividend relative to the share price is called the dividend yield. Generally, this yield is substantially less than the dividend expressed as a percentage.

PRICE RISK

A share is a security usually traded in the stock exchange. Generally, a price is determined daily on the basis of supply and demand. Investments in shares may lead to substantial losses. In general, the price of a share depends on the business success of a given company as well as the general economic and political environment. Besides, irrational factors (investor sentiment, public opinion) may also influence the share price and thus the return on an investment.

CREDIT RISK

As a shareholder, you hold an interest in a company. Price of shares may become worthless, particularly in case of insolvency.

LIQUIDITY RISK

In the case of securities with low trading volumes (especially over-the-counter trading), negotiability may be problematic. Even when a share is listed in several stock exchanges, there may be differences in the negotiability at the different international stock markets.

SHARE TRADING

Shares are traded in the stock exchange and, in certain cases, over the counter. When trading in the stock market, it is necessary to take into account the rules and practices of the specific stock exchange (units of trading, types of orders etc.). Shares listed in different stock markets in different currencies entail both a price risk and a currency risk.

4. EXCHANGE-TRADED FUNDS

DEFINITION

Exchange-traded funds (ETFs) are investment fund units that are traded in a stock market like equities. An ETF is usually a basket of securities (e.g. basket of equities) that reflects the composition of an index, i.e. tracking the index in a security by means of the securities included in an index and their current weighting, which is why ETFs are often also designated index stocks.

RETURN

The return is determined by the performance of the underlying assets in the basket of securities.

RISK

The risk is determined by the underlying assets in the basket of securities.

5. EXCHANGE-TRADED COMMODITIES

DEFINITION

Exchange-traded commodities, in short ETCs, offer the possibility to invest in single commodities and precious metals with ease. The performance of an ETC is based either on the spot price (price for the immediate supply) or the future price (price for the supply in the future) of a single commodity or a basket of commodities.

RETURN

The return is determined by the performance of the underlying commodity/commodities.

RISK

The risk is determined by the underlying commodity/commodities.

6. STRUCTURED PRODUCTS

"Structured investment instruments" are investment instruments with variable returns and/or capital repayments that depend on specific future developments or trends. Furthermore, these investment instruments may be structured in such a manner as to allow the issuer to call in the product early if the targets specified beforehand are reached or they may even be subject to automatic call-in.

You will find a description of the different product types below. These product types are designated using collective terms which are generally accepted but not consistently used in the market. The diverse points of departure, combinations and payment options constitutional of these investment instruments have given rise to very different types of investment instruments with names that are not always reflective of their respective structure. For this reason, it is always necessary to check the specific terms and conditions of each product.

The following characteristics are contained in the Terms Sheet and affect the price:

- Currency: US dollar, Euro, Russian ruble
- Underlying: stocks, bonds, indexes
- Duration: from 1 day to 10 years
- Capital protection: yes/no
- Coupon payment schedule: monthly, quarterly, annually
- Coupon Barrier: from 0% (unconditional coupon) to 100%
- Coupon memory: yes/no
- Early redemption option: yes/no

This product is only available to professional clients.

RISK

1) Any interest and/or return payments that have been agreed may be contingent on future events or trends (indices, baskets, individual shares, specific prices, commodities, precious metals, etc.) and therefore end up not being made at all or only in part.

2) Capital repayments may be contingent on future events or trends (indices, baskets, specific prices, commodities, precious metals, etc.) and thus end up not being made at all or only in part.

3) When it comes to interest and/or return payments as well as capital repayments, special consideration must be given to interest rate, currency, business, sector-specific, country-specific and credit risks (possibly no right of separation and recovery of assets that do not belong to the bankrupt estate) as well as tax-related risk.

4) The types of risk set forth in sections 1) through 3) may lead to high price fluctuations (losses) during the term, notwithstanding any interest rate, return or capital guarantees provided, making any sale during the term difficult, if not impossible.

7. CURRENCY OPTION TRADING

DEFINITION

Buyers of currency options acquire the right but not the obligation to buy or sell a certain amount of currency at specified exchange rates and/or on specified dates. The seller (writer) of the option grants the buyer the relevant right. In exchange for this option, the buyer pays the seller a premium. The following types of options are available:

Buyers of call options acquire the right to buy a set amount of a particular currency at a specified price (exercise price or strike price) on or before a particular date (delivery date).

In selling call options, sellers agree to deliver/sell a specified amount of a particular currency at the base price on or before a particular date.

In buying put options, buyers acquire the right to sell a specified amount of a particular currency at the base price on or before a particular date.

In selling put options, sellers agree to sell, at the request of the buyer, a specified amount of a particular currency at the base price on or before a particular date.

RETURN

A return is earned on a call option if the market price of the currency is higher than the exercise price payable by the buyer. Overall performance is determined after deducting the purchase price of the option (= premium). The buyer then has the option of buying the foreign currency at the exercise price and re-selling it immediately at the market price.

The seller of the call option is paid a premium for selling the option. By analogy, the same applies for put options when the currency is expected to depreciate.

7.1 RISK WHEN BUYING CURRENCY OPTION

LOSS

Buying currency options comes with the risk of losing the whole premium, as it becomes payable regardless of whether the option is exercised or not.

CREDIT RISK

Credit risk with currency options, credit risk refers to the possibility of the counterparty's default, in which case the previously paid premium is lost, indirectly adding to the cover paid in the market.

CURRENCY RISK

Currency options come with the risk that, by the time the option expires, the exchange parity of the underlying instrument may not develop as you had anticipated when you bought the option. In extreme cases, this can lead to the total loss of the premium.

7.2 RISK WHEN SELLING OPTIONS CURRENCY RISK

Selling options comes with the risk that, by the time that the option expires, the exchange rate of the foreign currency has not moved in the direction you had anticipated when you bought the option. There is no limit to the potential loss for the options written. The premium of the currency option depends on the following factors:

- volatility of the underlying exchange rate (indicator for the fluctuation margin of the exchange rate)
- selected exercise price
- the term of the option
- current exchange rate
- the interest rates of the two currencies
- liquidity

TRANSFER RISK

Foreign currency transfers may be subject to constraints, particularly those imposed by the currency's home country. The orderly execution of the deal would then be at risk.

LIQUIDITY RISK

For currency options, as custom-made products, there is usually no regulated secondary market.

This means that negotiability cannot be guaranteed at all times.